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SUBJECT: PRESIDENT APOLOGIZES FOR SLOW PACE OF REFORM

Sensitive But Unclassified. Please handle accordingly.

¶1. (SBU) Summary: In his July 28 National Day address, President Garcia apologized for the central government's failure to move quickly to address social demands, which he said had helped spark widespread protests. Garcia outlined an ambitious agenda for his next four years, focusing on poverty reduction, job creation, and infrastructure investment. Emphasizing that the GOP had done everything necessary to conclude the Peru Trade Promotion Act (PTPA), the president said the treaty's fate now rested in the hands of the U.S. Congress. Nationalists and labor leaders sharply criticized the address, and the congressional opposition faulted the president for failing to provide more details on how the GOP will meet its goals. Still, Garcia's conciliatory tone and focus on Peru's social needs placated many critics and showed that administration has a clear understanding of what needs to be done to further consolidate democratic government. End Summary.

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The President's Address  
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¶2. (SBU) In a two-hour address to the nation on July 28, in celebration of Peru National Day and on his one year anniversary in office, President Alan Garcia acknowledged that "profound problems and great social conflict" existed in Peru. He apologized for the central government's slow pace of reform, which he said had caused public frustrations to boil over. He called on Peru's poor to suspend their anger and to give the government a period of truce to deliver results. Garcia insisted that administrative decentralization was the key to improving public services, and he said that 70 per cent of public funds were now controlled by regional and municipal authorities. Garcia also apologized to public school teachers for the harsh rhetoric he had used during the national teacher's strike.

¶3. (SBU) Turning to the future, Garcia outlined an ambitious reform agenda that he hopes to complete before 2011, including lowering the poverty rate from 50 to 30 percent nationwide and reducing the percentage of persons in extreme poverty from 24 to 13 per cent. He also promised to create

1,500,000 new jobs during the next four years and to increase the percentage of workers in the formal economy from 35 to 50 per cent. Garcia also said the central government would invest \$30 million on infrastructure, build 250,000 homes for low-income families, and ensure that 90 per cent of Peruvians had access to clean water.

¶4. (SBU) With respect to the PTPA, Garcia repeated publicly what he has told USG officials privately: the GOP has done everything necessary to ratify the accord and the ball is now in the court of the U.S. Congress. Further delay, Garcia said, would offend Peru's national dignity. (Note: Several government ministers have since publicly echoed the President's remarks on the FTA, calling on the U.S. Congress to finish the deal. End Note.)

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The Reaction  
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¶5. (SBU) Nationalist leader Ollanta Humala offered the harshest criticism of the address, saying the Garcia government had aggravated the political crisis in the country. The Peruvian Medical Federation said that the government had provided insufficient funding for public health, a failing Garcia failed to acknowledge. In response, the federation announced a national strike for August 15. Peru's largest union, the Central Confederation of Peruvian Workers, complained Garcia had neglected to mention the lack of legal protections for workers in Peru and had failed to ratify the General Labor Law. The teacher's union in Lima accepted Garcia's apology, but regional union leaders said they had no intention of ending protests.

¶6. (SBU) The regional presidents of Huancavelica, Puno, and Lima said they had not received the transfer of funds Garcia mentioned, and clarified that the lion's share of these funds went to only three of Peru's 24 regions. They plan to meet with other regional leaders to make a case before Congress for more money. Edgardo Reymundo of the opposition Union for Peru party said Peru's most serious problem is corruption, an issue the president had ignored, and Carlos Bruce of the Parliamentary Alliance faulted the president for failing to detail how he would achieve the goals promised by 2011. Several analysts noted that the speech was vintage Garcia, long on ideas but lacking specifics regarding implementation.

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Comment:  
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¶7. (SBU) Garcia can be one of Peru's most electrifying speakers, but on National Day he favored substance over style -- almost to a fault. His apologetic opening was welcomed by many who have criticized the president for failing to admit mistakes. Business groups were pleased by the president's blunt message on the PTPA, and even the congressional opposition acknowledged that progress has been made in consolidating Peruvian democracy in the past year. Perhaps most important of all, the president recognized the urgent need to respond to the bread and butter grievances that have brought Peruvians into the streets, and he provided a broad brush agenda of what the government must do to address them. End Comment.

WUNDER